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SUBJECT: FAO REFORM PROGRAM MOVING STEADILY FORWARD: UNTAI STATUS
REPORT AND FUNDING RECOMMENDATION

REF: USUN 30, USUN 28, USUN 22, USUN 11

¶1. Summary. As part of this mission's regular reporting on efforts to reform the UN's Food and Agriculture Organization (FAO), we provide below brief updates on the eight key focus areas covered in our latest report on the United Nations Transparency and Accountability Initiative (or, "UNTAI"), covering the period from January - June, 2009. These items cover only a small fraction of what the FAO is attempting to do with its major reform initiative, considered the most ambitious to date of any UN technical agency. Of course, its ambitious nature reflects the long-overdue and wide-ranging set of issues where restructuring is necessary. This covers not only programmatic effectiveness of both headquarters and its field structure, but also human resource management, information systems, accounting standards, etc. In light of the progress by FAO during this first year of implementation of its reform plan, and improvements in our UNTAI rating for FAO, we recommend that we pay our remaining arrears to FAO, particularly the last tranche of our 2008 assessment. Such a payment will help ensure U.S. credibility and leadership at a crucial time for FAO reform, especially in light of our own and other global initiatives to strengthen food security. End summary.

¶2. Tracking with the UNTAI reporting areas (eight focal areas), the following captures several important items within FAO's reform program (or, "Immediate Action Plan") and highlights areas where progress has been made and where additional emphasis is needed.

-- Independence of Internal Oversight Function: The Office of the Inspector General (OIG) reports directly to the Director General (DG), with a "dotted line" to the Governing Bodies through the Finance Committee. The OIG prepares an annual activities report which becomes public through the Finance Committee. Its scope of work is largely determined by biennial budgetary allotment. The OIG "Charter" was recently modified and will be presented soon to the Finance Committee, making more explicit the independence of the OIG. It will also separate investigative from internal auditing functions and clarify the OIG's access to/by the Finance Committee. The biennial audit plan is updated on an ongoing basis and subsequently presented to the Director General. When the OIG conducts internal investigations, notice of investigations are reported to the DG, who has 24 hours to communicate questions or objections (not done to date). Also, the OIG recently revisited previous recommendations and redefined definitions of high/medium/low risks. There are now 43 recommendations considered "high risk," compared with 225 in 2008. And, the OIG has adopted standards of the Institution of Internal Auditors to ensure consistency with the International Standards for the Professional Practice

of Internal Auditing.

-- Disclosure of Internal Audit Reports to Members: There have been no concrete changes during this past rating period concerning disclosure of internal audit and oversight reports to Member States. Though a topic of review in a recent independent external evaluation, there is still no formal policy to share specific reports with Member States. There may be exceptional instances whereby the Inspector General, as determined necessary, may allow a Member Representative to read a specific report in the office of the OIG, particularly if relevant to a Member's project or initiative. In terms of policy adjustments on this issue, there remains no consensus on this topic and no formal action has been taken within the governing bodies to allow disclosure of reports.

-- Access to Information Relevant to Operations: As part of its overall reform efforts, FAO has been enhancing its communications focus, both internally and for the general public. While more work needs to be done, the public website, along with a separate Member's access site, provides the vast majority of documentation sought for an overview of governance, administrative procedures, and substantive issues. It is also envisioned that a new "Chief Information Officer" will feature in the coming years as a key component of reform.

-- Independent Ethics Function: The FAO is close to hiring an Ethics Officer at P-5 level, as part of its reform package, with a target date of September for hiring. The Ethics Officer will report directly to the DG and work closely with the Legal Office and OIG. The Ethics Officer will be responsible for the financial disclosure program, but there remains no explicit "whistleblower policy" - a function that remains largely the purview of the OIG. An oath of office and general standards of

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conduct for international civil service form the guidelines for acceptable staff behavior. The Ethics Officer will be accountable to a new "Ethics Committee" which in turn will be accountable to the Finance Committee and the Committee on Constitutional and Legal Matters (CCLM). A Charter for this committee will be released to the Finance Committee in late July. FAO staff tell us it is the only UN technical agency (not including financial institutions) with such an Ethics Committee.

-- Whistleblower Protections: The protections and recourse described above are expected to form part of the responsibilities of the Ethics Office, once established, according to FAO's OIG and Legal Counsel. The OIG investigates matters and the Legal Counsel takes action on the basis of internal reports. Legal Counsel staff tell us that all "staff," including contractors, interns, etc, are afforded the same protections by the OIG as full-time employees. A separate investigative panel deals with sexual harassment issues. There is no explicit whistleblower policy, as stated above. Regardless, there is a public website that provides staff with information on how to report fraud or misconduct. The site contains a confidential hotline number, email address, and a confidential fax hotline. An "Integrity Roadmap" report is also being prepared and will be sent to the DG. The report includes recommendations on how to improve the integrity framework of FAO and recommends an explicit whistleblower policy.

-- Financial Disclosure Program: The Ethics Officer will be responsible for the financial disclosure function, which at present is partial in nature and in need of strengthening. The Ethics Officer, with the help of the OIG, will establish and implement a more robust program. D1 employees and above (and those with specific financial responsibilities) must complete a financial disclosure form (the same as that used by the UN Secretariat). The Ethics Committee is expected to have sufficient authority to compel staff to react to issues of concern cited during review of their disclosure forms. It is not clear if the new disclosure program will cover spouses and family members of FAO employees. A conflict of interest policy

remains in place.

-- Implementation of IPSAS: FAO is working toward full IPSAS implementation by 2012. Funding is currently available from the Program of Work and Budget for IPSAS implementation. The OIG conducted a gap analysis of IPSAS project implementation and offered recommendations. The FAO IPSAS Project plan is divided into six-month stages. Finance Committee approval is required before commencement of each stage, based upon bi-monthly progress reports and a final 6-month report. There are plans to integrate FAO's Field Accounting System (FAS) Project into IPSAS, for consistency between HQ and field offices. The next IPSAS Progress Report to the Finance Committee will report on the impact of this integration.

-- Transparent Support Costs for Voluntarily-Funded Programs: In regards to transparency regarding support costs for projects funded from voluntary contributions, the FAO Secretariat reports annually on application of the support cost policy to the Finance Committee and proposes changes to the policy as needed to improve recoveries. With a new budget cycle to be proposed in July, 2009 it is expected that additional cost recovery strategies will be reviewed by the Finance Committee and the Membership during coming governing body meetings.
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